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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000662

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DEPARTMENT FOR SA, SA/INS, S/CT  
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NSC FOR E. MILLARD

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SUBJECT: Former PM sees economy as key factor in electoral defeat, expects the winning coalition to find tough sledding

Refs: Colombo 647, and previous

(U) Classified by Ambassador Jeffrey J. Lunstead.  
Reasons 1.5 (b, d).

1. (C) SUMMARY. Former PM Ranil Wickremesinghe told the Ambassador that perceptions of economic well-being (or, rather, the opposite) had been key in his parliamentary defeat on April 2. He is skeptical the winners will be able to get back to the peace table with the LTTE anytime soon. Wickremesinghe plans to watch the winners stumble over the inherent contradictions in their coalition and profit from the disarray, perhaps beginning with the selection of a Speaker when Parliament opens this Thursday. The Ambassador expressed thanks for the excellent cooperation received from the PM's office while he was in power. We recommend a call to Wickremesinghe from the Deputy Secretary making similar points. END SUMMARY.

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2. (C) The Ambassador, accompanied by DCM, called on former Prime Minister Ranil Wickremesinghe April 19 to thank him for the excellent cooperation in the U.S.-Sri Lankan relationship which occurred under his tenure as PM and to get the now-Opposition Leader's views on what went wrong in the election and how the victors will fare in the months ahead.

It's the Economy, Stupid  
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3. (C) Wickremesinghe agreed with the Ambassador that economic issues had been paramount in the election, as heralded in the run-up to April 2 in a series of polls which made clear that many Sri Lankans saw themselves as worse off than two years before. He noted, however, that while it was true that many consumer good prices had gone up, there was a much greater array of consumer goods available than two years ago. "They can buy CD players now if they want." Wickremesinghe said the new government will be hard-pressed to fill all of the economic promises made during the campaign, like 60,000 new jobs and higher subsidies, especially for fertilizer and other agricultural imports. If they press forward, Wickremesinghe predicted, interest rates will rise, the rupee will fall and the "international community" will become concerned. The Opposition Leader chuckled, "They think we left a surplus when in fact we left a deficit of seven million!"

Back to the Peace Table Quickly?  
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4. (C) Asked by the Ambassador if President Kumaratunga's public statements about a quick return to the peace table with the LTTE were realistic, Wickremesinghe said they were not. "First they must decide what their core principles are and the JVP will pull them strongly in an unhelpful direction." Moreover, Wickremesinghe said, it is not clear who could lead a delegation for this government. Neither the President nor Foreign Minister Lakshman Kadirgamar would be acceptable to the LTTE. Asked if the UNP would participate in the next round of talks if asked to contribute team members by the President, Wickremesinghe said it would not. The government, in his view, should handle negotiations, with other political parties only becoming involved once a draft deal has been hammered out.

Parliamentary Machinations  
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5. (C) Wickremesinghe confirmed that parliamentary infighting and jockeying will begin the moment Parliament reconvenes this Thursday (April 22). The first issue will be selection of a Speaker. Wickremesinghe seemed confident that the UNP would

prevail in this first skirmish and confirmed that former Minister of Justice and Buddhist Affairs W.J.M. Lokubandara would be the opposition candidate. Beyond that, Wickremesinghe said he will wait for the inevitable contradictions in the winning coalition to play out and look for opportunities to hurry the process along. He told the Ambassador that he is confident the Sri Lankan Muslim Congress (SLMC) and the Ceylon Workers Congress (CWC) will stay with the UNP -- at least for a while. If the other side is unable to get a majority, the coalition can limp along but "it will become increasingly difficult for them to sustain in the months ahead." Wickremesinghe also appeared confident that his side could block any effort to convene a constituent assembly.

16. (C) The new Opposition Leader said the JVP wants to be "the second party in Sri Lanka." If President Kumaratunga's Sri Lanka Freedom Party (SLFP) continues to be "run by Bandaranaike," there is a good chance that in ten years it will disintegrate with many members coming over to the UNP. Wickremesinghe admitted that his party is taking stock of what went wrong (indeed a meeting of party luminaries was breaking up as the Ambassador arrived) but had reached no conclusions yet.

Comment

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17. (C) Receiving the Ambassador in the bare-walled, spartanly-furnished offices of the Opposition Leader for twenty minutes, the former PM seemed tired and was his usual terse self. He clearly appreciated and reciprocated the Ambassador's thanks for the close working relationship the U.S. and Sri Lanka had during his tenure as PM but nodded in agreement when the Ambassador underlined that we hope to have a similarly fruitful relationship with the new government. We recommend that the Deputy Secretary call the former PM to make the same points.

18. (U) Minimize considered.

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